



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR**

January 15, 2019

Financial Audit Management Report

Chris Howard
Executive Director
Mississippi Department of Rehabilitation Services
P.O. Box 1698
Jackson, MS 39215

Dear Mr. Howard:

Enclosed for your review is the financial audit finding for the Mississippi Department of Rehabilitation Services for the Fiscal Year 2018. In this finding, the Auditor's Office recommends the Mississippi Department of Rehabilitation Services:

- 1) Strengthen controls over MAGIC's segregation of duties, business role assignments, and quarterly access reviews.

Please review the recommendation and submit a plan to implement them by February 8, 2019. The enclosed finding contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Mississippi Department of Rehabilitation Services internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mississippi Department of Rehabilitation Services internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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I hope you find our recommendations enable the Mississippi Department of Rehabilitation Services to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Rehabilitation Services throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is written in a cursive, flowing style.

Stephanie C. Palmertree, CPA, CGMA
Director, Financial Audit and Compliance Division
Enclosures

FINANCIAL AUDIT MANAGEMENT REPORT

The Office of the State Auditor conducts the annual audit of the State of Mississippi's *Comprehensive Annual Financial Report* (CAFR), as compiled and prepared by the Department of Finance and Administration for the fiscal year ended June 30, 2018. While OSA has not been engaged to audit your agency's financial accounting records and processes individually, we have been engaged by DFA to audit the State as a whole in accordance with Government Auditing Standards. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Internal Control over Financial Reporting

In planning and performing our audit of the State of Mississippi's CAFR, we considered the Mississippi Department of Rehabilitation Services internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on these accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Mississippi Department of Rehabilitation Services internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the following paragraphs, we identified certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency identified in this letter as item 2018-03 to be a significant deficiency.

SIGNIFICANT DEFICIENCY

Finding and Recommendation

Significant Deficiency

2018-03 Controls Should Be Strengthened over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process.

Repeating Finding No

Criteria *The Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), specifies that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective. Proper segregation of duties is essential to minimizing the risk of fictitious transactions and misstated financial position.

Segregation of duties is the sharing of responsibilities of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. At a minimum, the following functions are considered incompatible for proper segregation of duties:

- Custody
- Authorization or approval
- Recording or reporting

When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within MAGIC to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

Additionally, The Mississippi Agency Accounting Policies and Procedures (MAAPP) manual section 30.60.00 dictates that MAGIC security roles should be assigned to an employee based on his/her job duties, and that security roles should be reviewed on a quarterly basis to ensure that duties are segregated.

Condition The Mississippi Department of Rehabilitation Services submitted certification to DFA quarterly during state fiscal year 2018 stating that it was in compliance with policies regarding MAGIC security. Upon review

of the security roles assigned and the exceptions noted below, the agency did not have proper segregation of duties, did not have business roles assigned in accordance with DFA's MAGIC roles and descriptions, and improperly certified their agency had proper segregation of duties.

During our review of MAGIC security roles, we noted the following exceptions:

- Thirty-nine (39) instances in which Mississippi Department of Rehabilitation Services employees had access to roles specific to outside agencies;
- Twenty-seven (27) instances in which there were role violations related to improper segregation of duties; and
- One (1) instance in which an employee resigned in March 2018 was not separated in MAGIC in a timely manner (as of the 4th quarter).

Cause	The Agency did not properly review and monitor their MAGIC security roles assigned to employees
Effect	Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in material misstatements of financial statements.
Recommendation	We recommend the Mississippi Department of Rehabilitation Services strengthen controls over MAGIC security and ensure that roles are properly assigned, duties are segregated, and separated employees have their access removed in a timely manner.

End of Report



State of Mississippi
DEPARTMENT OF REHABILITATION SERVICES

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

January 24, 2019

Dear Mr. White:

This letter serves as the response to the financial audit finding noted by the Office of the State Auditor during its review of the Mississippi Department of Rehabilitation Services for fiscal year 2018.

AUDIT FINDING:

2018-03 Controls should Be Strengthened over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process

Response: The Mississippi Department of Rehabilitation Services has implemented procedures to strengthen controls over MAGIC's Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process.

Corrective Action Plan:

- A. Specific role violations noted have been reviewed and corrected. For roles where duties have not been segregated due to extenuating circumstances, compensating controls have been set up to ensure all actions in the system are proper.
- B. MAGIC quarterly security reports will be reviewed by the MAGIC Security Contact as well as the Director of Finance to ensure all roles reflect a proper segregation of duties.
- C. Human Resources will notify the MAGIC Security Contact as well as the Director of Finance when an employee has separated from the agency. We will ensure access to the system is terminated in a timely manner.

Mr. Shad White
January 24, 2019
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- D. Human Resources will communicate all new hires as well as position changes to the MAGIC Security Contact and the Director of Finance in order to ensure roles are properly established/changed as needed based on position duties.

I appreciate the work performed and the courtesy extended by your staff. Should you have any additional questions, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Howard", with a large, stylized loop at the end.

Chris Howard
Executive Director



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR**

January 15, 2019

Single Audit Management Report

Chris Howard
Executive Director
Mississippi Department of Rehabilitation Services
1281 Highway 51
Madison, MS 39110

Dear Mr. Howard:

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the State's major federal programs administered by the Mississippi Department of Rehabilitation Services for the fiscal year 2018. The Office of the State Auditor's staff members participating in this engagement included Stephanie Palmertree, CPA, Donna Parmegiani, CPA, Alan Jarrett, Brianna Dang, and LaSabre Charleston.

Enclosed for your review is the other audit finding for the fiscal year 2018. In this finding, the Auditor's Office recommends the Mississippi Department of Rehabilitation:

Other Audit Finding:

1. Ensure Compliance with Medical Licensure Verification.

Please review the recommendations and submit a plan to implement them by February 08, 2019. The enclosed finding contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

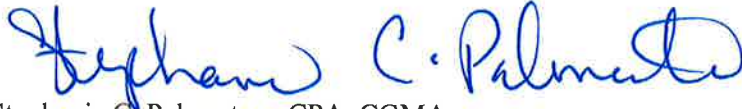
Mississippi Department of Rehabilitation Services

January 15, 2019

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I hope you find our recommendations enable the Mississippi Department of Rehabilitation Services to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Rehabilitation Services throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,



Stephanie C. Palmertree, CPA, CGMA

Director, Financial and Compliance Audit Division

Enclosures

SINGLE AUDIT FINDINGS

Our procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Report on Compliance for Each Major Federal Program

We have audited the Mississippi Department of Rehabilitation Services compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and Uniform Guidance that could have a direct and material effect on the federal programs selected for audit that are administered by the Mississippi Department of Rehabilitation Services for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mississippi Department of Rehabilitation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. However, our audit does not provide a legal determination of the Mississippi Department of Rehabilitation's compliance.

Results of Compliance Audit Procedures

The results of our auditing procedures disclosed no instances of noncompliance that are required to be reported in accordance with Uniform Guidance.

Internal Control over Compliance

Management of the Mississippi Department of Rehabilitation Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mississippi Department of Rehabilitation Services internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal controls over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mississippi Department of Rehabilitation Services internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

OTHER AUDIT FINDINGS

In planning and performing our audit of the federal awards received by the Mississippi Department of Rehabilitation Services for the year ended June 30, 2018, we considered internal control over compliance with the requirements that could have a direct and material effect on the major federal programs. Matters which require the attention of management were noted. These matters which do not have a material effect on the agency's ability to administer major federal programs in accordance with applicable laws, regulations, or provisions of contracts or grant agreements involve immaterial instances of noncompliance and other control deficiencies.

Finding and Recommendation

SPECIAL TESTS

Immaterial Noncompliance

OTH 18-01	<u>Agency Should Ensure Compliance with Medical Licensure Verification.</u>	
CFDA Number	96.001 – Social Security – Disability Insurance (DI) 96.006 – Supplemental Security Income (SSI)	
Federal Award	1304MSD100	1604MSD100
	1404MSD100	1704MSD100
	1504MSD100	1804MSD100
Federal Agency	Social Security Administration	
Pass-through Entity	N/A	
Questioned Costs	None	

Criteria	<i>The Office of Management and Budget (OMB) Uniform Guidance 2018 Compliance Supplement</i> states that each state agency is responsible for ensuring accuracy, integrity, and economy of the Consultative Examination ("CE") process. As part of these requirements, the state agency must provide procedures for performing medical license verification to ensure only qualified providers perform CEs for Disability Determination Process. Providers' medical licenses should be reviewed annually and a SAM check must be performed to determine the provider is not barred from receiving federal funds.
Condition	Of 48 CE providers tested, two providers' files did not contain a copy of the medical license for the SFY 2018. Without a medical license on file, the agency could not verify if the CE provider had a current medical license, credentials, or certification with the state medical board.
Cause	Agency oversight and lack of documentation maintained on CE providers.
Effect	Failure to maintain proper documentation for verification of providers could result in providers who are not qualified providing reviews on applicants and/or providers who have been barred from receiving federal funds may in turn be paid for services using federal funding.
Recommendation	We recommend that the Mississippi Department of Rehabilitation Services ensure procedures are in place to verify all CE providers are properly licensed with the state medical board as required by federal guidelines.
Repeat Finding	Yes, 2017-023
Statistically Valid	The sample is statistically valid.

End of Report



State of Mississippi
DEPARTMENT OF REHABILITATION SERVICES

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

January 24, 2019

Dear Mr. White:

This letter serves as the response to the Other Audit Finding noted during the Office of the State Auditor's audit of the State's major federal programs administered by the Mississippi Department of Rehabilitation Services for fiscal year 2018.

AUDIT FINDING

96.001 Social Security – Disability Insurance (DI)
96.006 – Supplemental Security Income (SSI)

Special Tests

Agency Should Ensure Compliance with Medical Licensure Verification

Response: The Mississippi Department of Rehabilitation Services has implemented procedures to ensure compliance with medical licensure verification.

Corrective Action Plan:

- A. A request will be mailed to all vendors the first week of June requesting they submit their license no later than July 15.
- B. If the license is not received by July 15, we will contact the vendors via telephone to request the copy. Documentation of this contact will be placed in the vendor file.
- C. If the license is still not received by August 1, the vendor will be suspended from our panel.

Mr. Shad White
January 24, 2019
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I appreciate the work performed and the courtesy extended by your staff. Should you have any additional questions, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Howard", with a large, stylized flourish at the end.

Chris Howard
Executive Director